

Message Text

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R 011446Z MAY 78

FM SECSTATE WASHDC

TO AMEMBASSY MANILA

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FOR ERLAND HEGINBOTHAM IN VICE PRESIDENTS PARTY

FOLLOWING REPEAT LONDON 6815 ACTION SECSTATE IN
GENEVA APRIL 28

QUOTE LIMITED OFFICIAL USE LONDON 06815

USMTN

PASS STR/AMB WOLFE

PASS AGRICULTURE ELECTONICALLY FOR ASST SEC HATHAWAY

E.O. 11652: N/A

SUBJECT: LONDON WHEAT MEETING PREPARATORY TO UNCTAD
INTERIM COMMITTEE

1. SUMMARY: US DELEGATION HEADED BY SAYLOR MET BRIEFLY
WITH OTHER EXPORTERS THURSDAY A.M., WITH GANG OF SIX
(EXPORTERS PLUS JAPAN PLUS EC) ON THURSDAY AFTERNOON,
WITH EC (PIZZUTTI) THURSDAY EVENING, EXPORTERS FRIDAY
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MORNING AND SIX AGAIN TWICE ON FRIDAY. MAIN LINES OF
DISCUSSION WERE TO REPORT UPON AND FURTHER CLARIFY THE
US-EC UNDERSTANDINGS REACHED ON WHEAT AND COARSE GRAINS
IN WASHINGTON DURING HIGH LEVEL MEETINGS APRIL 19/20.
SEVERAL PIECES OF PAPER WERE CONSIDERED FOR POSSIBLE
USE ON MONDAY, MAY 1, IN GENEVA FOR PURPOSES OF
REPORTING SIX'S PROGRESS TO UNCTAD INTERIM COMMITTEE.

HOWEVER, US AND EC WERE UNABLE TO AGREE ON CERTAIN ASPECT
WHEAT POSITION, THOUGH VERY SKETCHY, WAS MORE OR
LESS AGREED, BUT COARSE GRAIN POSITION WAS UNRESOLVED
AND EC REFUSES TO LET WHEAT MOVE AHEAD OF COARSE GRAINS.
TEXTS PROVIDED BELOW. END SUMMARY.

2. DURING INITIAL MEETING OF SIX THURS P.M., FOLLOWING
GENERALIZED US AND EC DESCRIPTION OF RECENT BI-LATERAL
PROGRESS, CHAIRMAN DUNKEL REQUESTED THE TWO TO TRY TO
PROVIDE WRITTEN REPRESENTATION OF UNDERSTANDING FOR NEXT
DAY'S MEETING. DURING SUBSEQUENT US-EC MEETING HELD FOR
THIS PURPOSE, SCHEMATIC PRESENTATION FOR WHEAT AGREEMENT
WAS DEVELOPED AS FOLLOWS:

WHEAT AGREEMENT (SCHEMATIC PRESENTATION)

NOTIONAL UPPER PRICE

3RD RISING TRIGGER POINT ... CONSULTATIONS -

EXTREME PRICE SITUATION CONSULTATIONS ON FURTHER ACTION;
ACTION; MAINTENANCE OF DELIVERIES; NO EXPORT CONTROLS
OR TAXES.

2ND RISING TRIGGER POINT ... ADDITIONAL MEASURES -

REMOVE PRODUCTION RESTRAINTS; DISCOURAGE UTILIZATION.

1ST RISING TRIGGER POINT ... STOCKS RELEASE - COULD
BE STAGED OR PHASED.

1ST FALLING TRIGGER POINT ... STOCK ACCUMULATION
COULD BE STAGED OR PHASED

2ND FALLING TRIGGER POINT ... ADDITIONAL MEASURES -
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DISCOURAGE PRODUCTION; ENCOURAGE UTILIZATION
3RD FALLING TRIGGER POINT ... CONSULTATIONS - EXTREME
PRICE SITUATION; CONSULTATIONS ON FURTHER ACTION;
SALES PRACTICES.

NOTIONAL LOWER PRICE

(FOREGOING WAS DISTRIBUTED FRI P.M. TO SIX, BUT NOT
DISCUSSED.) AS FOR MEANING OF OPTIONAL PRICES AND A
POSSIBLE TEXT APPROACH TO ARTICLE 3, NOTHING EMERGED,
ALTHOUGH BRIEF EXCHANGE ON THIS POINT INDICATED CON-
SIDERABLE DIFFERENCE; E.G., EC WANTED NOTIONAL PRICE
DEFINED IN TERMS OF SEVERAL DIFFERENT
WHEATS, AND AT ONE STAGE SUGGESTED DIFFERENTIALS FOR
DIFFERENT TYPES. MEETING BECAME CENTERED ON COARSE
GRAINS, SINCE EC INSISTED THAT NOTHING ON WHEAT COULD GO
FORWARD WITHOUT SOMETHING PARALLEL ON COARSE GRAINS,
EVEN THOUGH WE POINTED OUT THIS CONTRARY TO OUR UNDER-
STANDING OF OUTCOME OF WASHINGTON MEETING.

3. ON COARSE GRAINS, NOTHING WRITTEN EMERGED
FROM US-EC MEETING. US INSISTED ON OPTIONS BEING
PRESENTED AS FOUR (IN LINE WITH PREVIOUS WEEK DISCUSSION)
AS FOLLOWS:

(A) NO COARSE GRAIN AGREEMENT
(B) CONSULTATION (ARGENTINE) TYPE, WITHOUT INDICATOR SCALE
(C) CONSULTATION PLUS INDICATOR SCALE, INCLUDING "MENU" OF ACTIONS TO BE CONSIDERED, AND
(D) SAME AS (C) PLUS CERTAIN MANDATORY COMMITMENTS INVOLVING UTILIZATION AND STOCKS.
EC, MEANWHILE INSISTED ON USING EITHER (C) OR (D) OR BOTH AS MEANS OF REPRESENTING US-EC UNDERSTANDING.
FINALLY, ON FRIDAY, AFTER CONSULTING INFORMALLY WITH US AND EC REPRESENTATIVES, CHAIRMAN AND PAROTTE DEVELOPED AND CIRCULATED FOLLOWING PAPER AT FINAL MEETING:
PAGE ONE
ALTERNATIVE OPITONS FOR COARSE GRAINS
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PAGE TWO
OPTION: "MENU OF MEASURES"
NOTIONAL UPPER PRICE
SECOND RISING POINT (BASKET PRICE) - CONSULTATIONS ON MEASURES WHICH COUNTRIES COULD CONSIDER FOR DEALING WITH THE SITUATION.
FIRST RISING POINT (BASKET PRICE) - REVIEW OF CURRENT AND PROSPECTIVE MARKET CONDITIONS (CONSULTATIONS).
FIRST FALLING POINT (BASKET PRICE) - REVIEW OF CURRENT AND PROSPECTIVE MARKET CONDITIONS (CONSULTATIONS).
SECOND FALLING POINT (BASKET PRICE) - CONSULTATIONS ON MEASURES WHICH COUNTRIES COULD CONSIDER FOR DEALING WITH THE SITUATION.
NOTIONAL LOWER PRICE
PAGE THREE
OPTION: "MANDATORY MEASURES"
NOTIONAL UPPER PRICE
SECOND RISING POINT (BASKET PRICE) - IMPLEMENTATION OF SPECIFIED MEASURES RELATING TO INTERNAL POLICIES AS THESE AFFECT PRODUCTION, CONSUMPTION AND TRADE (STOCK RELEASE, EXPANSION OF PRODUCTION, DECREASE IN UTILIZATION).
FIRST RISING POINT (BASKET PRICE) - REVIEW OF CURRENT AND PROSPECTIVE MARKET CONDITIONS (CONSULTATIONS).
FIRST FALLING POINT (BASKET PRICE) - REVIEW OF CURRENT AND PROSPECTIVE MARKET CONDITIONS (CONSULTATIONS).
SECOND FALLING POINT (BASKET PRICE) - IMPLEMENTATION OF SPECIFIED MEASURES RELATING TO INTERNAL POLICIES AS THESE AFFECT PRODUCTION, CONSUMPTION AND TRADE (STOCK ACCUMULATION, REDUCTION IN PRODUCTION, INCREASE IN UTILIZATION).
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4. ENTIRE DISCUSSION IN FINAL SESSION CONCERNED RELATIONSHIP OF THIS NEW COARSE GRAINS PAPER TO OTHER POSSIBLE OPTIONS, INCLUDING THE PAPERS ALREADY PRESENTED BY ARGENTINE AND EC DURING GENEVA CONFERENCE. US INSISTED THAT THIS NEW PAPER WHEN FLOATED WITH THE INTERIM COMMITTEE WOULD MISREPRESENT THE CURRENT SITUATION BY APPEARING TO LEAVE BEHIND THE OTHER TWO POSSIBILITIES AGREED IN WASHINGTON. US INSISTED THAT AT LEAST THE ARGENTINE-TYPE OPTION BE REPRESENTED AS CO-EQUAL, AND OFFERED AN ABBREVIATED FORM OF SUCH OPTION, AS FOLLOWS:

CONSULTATIONS AND INFORMATION SHARING
PARTICIPATING COUNTRIES WOULD MEET PERIODICALLY OR AT THE CALL OF ANY PARTICIPANT TO SHARE INFORMATION ON PRODUCTION, UTILIZATION, STOCKS AND TRADE AND TO REVIEW THE GENERAL MARKET SITUATION INCLUDING FACTORS RELATING TO THE STABILITY OF MARKETS.

EC OBJECTED, AND AFTER LENGTHY EFFORT BY VARIOUS PARTICIPANTS TO FIND ACCEPTABLE SOLUTION, DUNKEL ADJOURNED THE MEETING WITH REQUEST THAT US AND EC TRY FURTHER BY NEXT MONDAY'S INTERIM COMMITTEE MEETING TO GIVE HIM SOMETHING IN WRITING TO SHOW PROGRESS. US DEL PROCEEDING TO ARRANGE MON A.M. US-EC MEETING IN GENEVA IN FURTHER ATTEMPT TO SOLVE FORMAT PROBLEM.

5. DURING US-EC MEETING THURS P.M., AS US WAS HOLDING OUT FOR A LISTING OF COARSE GRAIN OPTIONS WHICH WOULD INCLUDE A WHEAT-ONLY OPTION, PIZZUTTI AT ONE POINT POSED THE SUPPOSITION THAT THERE WOULD BE NO COARSE GRAIN AGREEMENT, AND ASKED, "THEN WHAT WOULD HAPPEN TO YOUR PROPOSALS FOR UTILIZATION (READ ACCESS) COMMITMENTS?" THE IMPLICATION APPEARED TO BE THAT EC DEMAND FOR COARSE GRAIN AGREEMENT MIGHT DISAPPEAR IF THE US WOULD DROP ITS EFFORT TOWARD ACCESS. BREWSTER. UNQUOTE VANCE

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